

Global Lyme Alliance, Inc.

Financial Statements

December 31, 2017 and 2016



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Global Lyme Alliance, Inc.

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Independent Auditors' Report

Board of Directors
Global Lyme Alliance, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Global Lyme Alliance, Inc. ("GLA"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to GLA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GLA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GLA as of December 31, 2017 and 2016, the changes in its net assets, and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly Virchow Krause, LLP

New York, New York
May 22, 2018

Global Lyme Alliance, Inc.

Statements of Financial Position

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,001,095	\$ 4,582,426
Contributions receivable	363,065	401,203
Prepaid expenses	45,957	39,901
Total current assets	4,410,117	5,023,530
Investment in Third Party	85,024	-
Fixed Assets, Net	65,719	110,909
Other Assets	15,676	15,676
Total assets	<u>\$ 4,576,536</u>	<u>\$ 5,150,115</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 113,103	\$ 62,560
Grants payable	49,884	29,500
Deferred revenue	50,000	58,375
Deferred rent	-	18,652
Total liabilities	212,987	169,087
Net Assets		
Unrestricted	3,753,497	4,745,798
Temporarily restricted	610,052	235,230
Total net assets	4,363,549	4,981,028
Total liabilities and net assets	<u>\$ 4,576,536</u>	<u>\$ 5,150,115</u>

See notes to financial statements

Global Lyme Alliance, Inc.

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 925,513	\$ 610,052	\$ 1,535,565
Special events income, net of \$666,997 of direct expenses	2,447,835	-	2,447,835
In-kind contributions	65,600	-	65,600
Investment income	13,904	-	13,904
Net assets released from restrictions	235,230	(235,230)	-
	<u>3,688,082</u>	<u>374,822</u>	<u>4,062,904</u>
Total support and revenue			
Expenses			
Program	3,547,830	-	3,547,830
Management and general	466,327	-	466,327
Fundraising	666,226	-	666,226
	<u>4,680,383</u>	<u>-</u>	<u>4,680,383</u>
Total expenses			
Changes in net assets	(992,301)	374,822	(617,479)
Net Assets, Beginning of Year	<u>4,745,798</u>	<u>235,230</u>	<u>4,981,028</u>
Net Assets, End of Year	<u>\$ 3,753,497</u>	<u>\$ 610,052</u>	<u>\$ 4,363,549</u>

See notes to financial statements

Global Lyme Alliance, Inc.

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 482,211	\$ 235,230	\$ 717,441
Special events income, net of \$641,513 of direct expenses	3,143,611	-	3,143,611
In-kind contributions	546,282	-	546,282
Investment income	1,842	-	1,842
	<u>4,173,946</u>	<u>235,230</u>	<u>4,409,176</u>
Expenses			
Program	1,995,737	-	1,995,737
Management and general	393,378	-	393,378
Fundraising	637,321	-	637,321
	<u>3,026,436</u>	<u>-</u>	<u>3,026,436</u>
Changes in net assets	1,147,510	235,230	1,382,740
Net Assets, Beginning of Year	<u>3,598,288</u>	<u>-</u>	<u>3,598,288</u>
Net Assets, End of Year	<u>\$ 4,745,798</u>	<u>\$ 235,230</u>	<u>\$ 4,981,028</u>

See notes to financial statements

Global Lyme Alliance, Inc.

Statement of Functional Expenses

Year Ended December 31, 2017

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 2,143,554	\$ -	\$ -	\$ 2,143,554
Salaries and payroll taxes	726,070	224,813	177,375	1,128,258
Awareness	386,097	-	55,097	441,194
Legal fees	2,490	111,255	900	114,645
Consulting fees	17,755	1,654	244,526	263,935
Conferences and meetings	35,808	-	-	35,808
Printing, copying and postage	418	8,469	62,764	71,651
Travel	43,776	4,791	28,917	77,484
Occupancy	26,760	8,234	6,175	41,169
Depreciation and amortization	37,040	11,397	8,548	56,984
Loss on disposal of leasehold improvements	23,534	7,241	5,431	36,206
Telephone and website	25,091	21,525	8,657	55,272
Miscellaneous	12,624	25,466	15,967	54,057
Accounting	-	26,000	-	26,000
Supplies	13,318	3,932	3,806	21,056
Credit card fees	7	79	46,266	46,352
License fees and permits	-	9,475	300	9,775
Insurance	6,489	1,997	1,497	9,983
Recruitment	47,000	-	-	47,000
Total functional expenses	<u>\$ 3,547,830</u>	<u>\$ 466,327</u>	<u>\$ 666,226</u>	<u>\$ 4,680,383</u>

See notes to financial statements

Global Lyme Alliance, Inc.

Statement of Functional Expenses

Year Ended December 31, 2016

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 749,653	\$ -	\$ -	\$ 749,653
Salaries and payroll taxes	401,213	75,530	131,115	607,858
Awareness	470,840	388	82,503	553,731
Legal fees	104,055	142,338	32,854	279,247
Consulting fees	8,277	-	223,277	231,554
Management fees	30,687	61,170	18,259	110,116
Conferences and meetings	71,337	5,254	2,847	79,438
Printing, copying and postage	6,141	8,210	47,700	62,051
Travel	26,867	19,638	11,418	57,923
Occupancy	37,692	7,096	12,318	57,106
Depreciation and amortization	29,228	5,502	9,552	44,282
Telephone and website	23,823	10,929	8,162	42,914
Miscellaneous	10,557	1,093	14,766	26,416
Accounting	-	37,500	-	37,500
Supplies	21,605	4,067	10,540	36,212
Credit card fees	-	271	30,576	30,847
License fees and permits	-	11,388	205	11,593
Insurance	3,762	708	1,229	5,699
Recruitment	-	2,296	-	2,296
Total functional expenses	<u>\$ 1,995,737</u>	<u>\$ 393,378</u>	<u>\$ 637,321</u>	<u>\$ 3,026,436</u>

See notes to financial statements

Global Lyme Alliance, Inc.

Statements of Cash Flows

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ (617,479)	\$ 1,382,740
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation and amortization expense	56,984	44,282
Loss on disposal of leasehold improvements	36,206	-
Deferred rent	(18,652)	9,202
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	38,138	(57,542)
Prepaid expenses	(6,056)	6,338
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	50,543	(113,451)
Grants payable	20,384	(55,309)
Deferred revenue	(8,375)	8,375
Net cash flows from operating activities	<u>(448,307)</u>	<u>1,224,635</u>
Cash Flows from Investing Activities		
Investment in third party	(85,024)	-
Capital expenditures	<u>(48,000)</u>	<u>(32,053)</u>
Net cash flows from investing activities	<u>(133,024)</u>	<u>(32,053)</u>
Net change in cash and cash equivalents	(581,331)	1,192,582
Cash and Cash Equivalents, Beginning of Year	<u>4,582,426</u>	<u>3,389,844</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,001,095</u>	<u>\$ 4,582,426</u>

See notes to financial statements

Global Lyme Alliance, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

1. Description of Organization and Summary of Significant Accounting Policies

Nature of Operations

Global Lyme Alliance, Inc. ("GLA") is a public charity dedicated to finding a cure and accurate test for Lyme disease as well as educating physicians and the public about the dangers of Lyme and other tick-borne diseases.

GLA was formed on February 20, 2015, by way of a merger between Tick-Borne Disease Alliance, a New York not-for-profit Corporation, and Lyme Research Alliance, a Connecticut not-for-profit corporation. The merger allows for greater resources to be applied to research on urgently needed improvements in diagnostics and treatments, while maintaining awareness programs for the general public and physicians.

Basis of Accounting

The accompanying financial statements of GLA have been prepared on the accrual basis of accounting.

Net Assets

The net assets of GLA are classified and reported as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in achieving the primary objectives of GLA.

Temporarily restricted - Net assets that are subject to donor-imposed stipulations that will be met either by the actions of GLA and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions. However, if a restriction is fulfilled in the same reporting period in which the contribution is received, GLA reports the support as unrestricted.

Permanently restricted - Net assets that are subject to donor-imposed stipulations that must be maintained in perpetuity. GLA does not have any permanently restricted net assets.

Revenue

GLA receives substantially all of its revenue from grants and contributions from direct public support and income derived from fundraising events.

Cash and Cash Equivalents

Cash and cash equivalents consist of deposits and money market funds with financial institutions. GLA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Global Lyme Alliance, Inc.

Notes to Financial Statements
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Unconditional Promises to Give (Contributions Receivable)

Unconditional promises to give that are expected to be collected within one year are recorded as contributions at net realizable value. Unconditional promises to give that are expected to be collected in future periods are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the periods in which the promises are received. Amortization of the discounts is included in contribution revenue, when applicable. Conditional promises to give are not included as support until the conditions have been substantially met. All contributions receivable are considered current as of December 31, 2017 and 2016.

Allowance for Doubtful Pledges

Management must make estimates of the uncollectability of all contributions receivable. Management specifically analyzes receivables, historical bad debts and changes in circumstances when evaluating the adequacy of the allowance for doubtful accounts. As of December 31, 2017 and 2016, no allowance for doubtful accounts was necessary based on management's analysis.

Fixed Assets

Fixed assets are stated at cost when acquired. Donated fixed assets are recorded at fair value at the date of donation. GLA capitalizes fixed asset acquisitions in excess of \$5,000. Leasehold improvements are amortized over the lesser of the estimated useful life of the improvement or remaining life of the lease. Computer equipment and furniture and fixtures are depreciated over periods ranging from three to five years on a straight-line basis.

Deferred Revenue

Deferred revenue represents advance payments for special events scheduled to take place in the subsequent year.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain overhead costs have been allocated among the programs and supporting services benefited based on the percentage of time and salaries charged to each functional area.

In-Kind Contributions

During the years ended December 31, 2017 and 2016, GLA received in-kind contributions of professional services in the amount of approximately \$66,000 and \$546,000, respectively. These amounts were recorded as in-kind contributions revenue in the statements of activities and changes in net assets.

Global Lyme Alliance, Inc.

Notes to Financial Statements
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Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Tax-Exempt Status

GLA qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and as a not-for-profit organization under the laws of Connecticut. Accordingly, no provision for federal or state income taxes is required.

Uncertain Tax Positions

Management has evaluated GLA's tax positions and concluded that GLA had not taken any uncertain tax positions that require adjustment to the financial statements to comply with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 740.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of ASU 2014-09 requires recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of ASU 2014-09 on GLA's financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of ASU 2016-02 on GLA's financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. Management is currently evaluating the impact of ASU 2016-14 on GLA's financial statements.

Global Lyme Alliance, Inc.

Notes to Financial Statements
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Evaluation of Subsequent Events

Management has evaluated subsequent events through May 22, 2018, the date the financial statements are available for issuance. Subsequent to the year ended December 31, 2017, GLA is subject to a lawsuit and claim with respect to a matter arising in the normal course of business. In the opinion of management, the ultimate liabilities, if any, resulting from this lawsuit or claim, will not materially affect the financial position or results of operations of GLA.

2. Investment in Third Party

On December 31, 2016, GLA entered into an agreement with Ionica Sciences, Inc. ("Ionica") to acquire 15 percent of Ionica's capital stock over time for a total purchase price of \$178,000. The purchase amount will be used for completion of Phase 1, Phase 2, and Phase 3 of the Lyme Disease Diagnostic Test Development Program and to fund all or a portion of the required Directors & Officers insurance levels. During the year ended December 31, 2017, GLA invested \$85,024 in Ionica (completing Phases 1 and 2 of the project), and holds a 7.5% interest in the company. This amount is recorded at cost as an investment in third party in the accompanying financial statements.

3. Fixed Assets, Net

Fixed assets, net, consists of the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ -	\$ 74,407
Computer equipment	31,992	31,992
Furniture and fixtures	17,161	17,161
Website	<u>117,839</u>	<u>69,839</u>
	166,992	193,399
Less accumulated depreciation and amortization	<u>101,273</u>	<u>82,490</u>
Total fixed assets, net	<u>\$ 65,719</u>	<u>\$ 110,909</u>

Global Lyme Alliance, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

4. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Time and purpose restrictions:		
Research	\$ 125,000	\$ 125,000
Personnel	100,000	100,000
Fellowship	375,000	-
Purpose restriction, Research	<u>10,052</u>	<u>10,230</u>
 Total	 <u>\$ 610,052</u>	 <u>\$ 235,230</u>

During 2017, net assets were released from restrictions by incurring expenses satisfying the restricted purposes as stipulated by the donors or release of time restrictions, as follows for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Time and purpose restrictions:		
Research	\$ 125,000	\$ -
Personnel	100,000	-
Fellowship	-	-
Purpose restriction, Research	<u>10,230</u>	<u>-</u>
 Total Net Assets Released from Restrictions	 <u>\$ 235,230</u>	 <u>\$ -</u>

5. Concentrations of Credit Risk

Financial instruments which potentially subject GLA to concentrations of credit risk consist principally of cash and cash equivalents. GLA places its temporary cash investments with high credit quality financial institutions; however, in the event of a financial institution's insolvency, recovery of GLA's assets on deposit may be limited to account insurance by the Federal Deposit Insurance Corporation.

As of December 31, 2017, 62% of contributions receivable were from two separate donors, with each individually representing greater than 10% of total receivables. The contributions from these two donors were received by GLA in first quarter of 2018.

As of December 31, 2016, 69% of contributions receivable were from three separate donors, with each individually representing greater than 10% of total receivables. The contributions from these three donors were received by GLA in first quarter of 2017.

Global Lyme Alliance, Inc.

Notes to Financial Statements
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6. Commitments and Contingencies

Operating Lease Obligation

GLA entered into an operating lease for office space in June 2015. In November 2017, GLA vacated the office space due to disputes with the landlord about a mold issue in the building. As of May 22, 2018, the date the financial statements are available for issuance, GLA is involved in a legal matter surrounding its early departure from this office space (See Note 1).

Rent expense is approximately \$41,000 and \$57,000, for the years ended December 31, 2017 and 2016, respectively. Deferred rent of \$18,652 was reversed in the current year.

Subsequent to year end, GLA entered into a new noncancellable operating lease which will commence at the landlord's completion of the agreed upon improvements. The future minimum payments under the new operating lease are as follows:

Year ending December 31:		
2018 (estimated)	\$	16,216
2019		97,972
2020		102,025
2021		106,080
2022		110,134
Thereafter		<u>94,593</u>
Total	\$	<u>527,020</u>